

# THE NEBRASKA DEPARTMENT OF REVENUE

The Nebraska Department of Revenue was created effective January 1, 1970, with the State Tax Commissioner as its chief executive officer.

The Office of State Tax Commissioner was created in 1920 by amendment to the Nebraska Constitution.

The State Tax Commissioner is responsible for the administration of Nebraska revenue laws. Tax programs administered by the State Tax Commissioner include, but are not limited to, income tax, sales and use tax, motor fuels taxes, and numerous miscellaneous taxes.

The Nebraska Department of Revenue strives to provide taxpayers with the most efficient and economical administration of the Nebraska revenue laws.

The Nebraska Department of Revenue is comprised of the Administration and integrated service areas.

## Administration

Administration includes the State Tax Commissioner, Finance and Management Services Director, Hearing Officer, Personnel Administrator, Legislative Director, Special Assistants, and Administrative Assistant to the State Tax Commissioner. They provide the administrative support necessary for carrying out the directives of the State Tax Commissioner.

## Audit Services

Audit Services conducts audits on the books and records of taxpayers to ensure they are in compliance with the tax laws; audits the Auditor of Public Accounts; administers the Economic Incentive Programs; and participates in informational exchanges with other tax authorities.

Audit Services conducts audits for all tax programs except those administered by the Charitable Gaming and Motor Fuels Divisions of the department. Offices are maintained in Lincoln, Omaha, Kearney, Norfolk, and Scottsbluff. This is necessary since we generally conduct the audit at the location of the taxpayer's records. Our auditors do travel to locations

outside of Nebraska when the location of the records makes it necessary.

In the administration of the Economic Incentive Programs, we provide education to taxpayers on benefits available; answer technical questions from taxpayers; prepare agreements with taxpayers allowing for the use of the incentives; review claims for benefits; and audit the records of the taxpayer to ensure compliance. In addition, we prepare an annual report to the Nebraska Legislature on the Economic Incentive Programs.

This area implements and monitors the contract for audit services provided by the Multistate Tax Commission, and participates in information exchange with the Midwest Border States Tax Compact, the Internal Revenue Services and other states.

## Charitable Gaming

The function of the Charitable Gaming Division is to regulate and oversee all charitable gaming activities in Nebraska, ensuring fair play, ensuring revenues are accurately accounted for and used for those purposes allowed by law, and collecting taxes on charitable gaming activities. Bingo, lottery by pickle card, and lottery and raffle activities conducted by nonprofit organizations, county and city lottery (keno), conducted by counties, cities, and villages, and gift enterprise activities are all regulated by this area.

Responsibilities of this area include licensing of participants, conducting audits of licensees, inspection of charitable gaming operations, testing and approval of gaming equipment, and the development of necessary forms, regulations and legislative proposals. This area also represents the department at administrative hearings and assists the Attorney General and county attorneys in litigation involving charitable gaming related matters.

This area provides educational materials to the public and licensees outlining the statutory and regulatory provisions and reporting requirements necessary to properly conduct charitable gaming activities. Educational workshops are held periodically for licensees and training materials are developed and presented to licensees and potential licensees.

## **Finance and Management Services**

Within Finance and Management Services, Finance prepares the state budget request in conjunction with the State Tax Commissioner, accounts for the day-to-day expenditures of the department and prepares monthly reports for management. Finance is also responsible for establishing and implementing internal accounting controls. They perform the cashiering function for all the cash and checks received by the Nebraska Department of Revenue.

The E-Commerce area provides all electronic commerce functions such as Electronic Funds Transfer (EFT), Voice Response Unit (VRU), Joint Electronic Filing (JELF), and Telefile for the department.

Systems and Micro Support Sections design, coordinate, and schedule all mainframe and LAN/WAN data processing operations within the Department of Revenue. These sections serve as the liaison between this agency and Information Management Services of the Department of Administrative Services. They analyze new and existing tax programs and develop systems in accordance with statutory requirements and departmental policy. A vital function of this area is implementing computer hardware and software improvements for the department.

## **Investigative Services**

Investigative Services serves as the investigative arm for the State Tax Commissioner and the entire Nebraska Department of Revenue, to include both external and internal investigations. As a result, Investigative Services works closely with Charitable Gaming Division, Lottery Division, Motor Fuels Division, Taxpayer Services, Revenue Operations, and Legal Services of the department in conducting these investigations.

Investigative Services specific functions are to conduct investigations, some of which are pursued criminally, some administratively and some both criminally and administratively for the aforementioned areas; to conduct background investigations, both for prospective licensees, prospective vendors and department employees as

related to the Lottery and Charitable Gaming Divisions; to conduct on-site inspections involving the printing of lottery tickets; to maintain a working relationship with law enforcement agencies at all levels, including prosecuting attorneys; and to provide training to law enforcement.

## **Legal Services**

Legal Services serves as internal legal counsel for the State Tax Commissioner and the entire agency. This area represents the Nebraska Department of Revenue during all stages of audit resolution and at all formal hearings before the State Tax Commissioner.

Legal Services is responsible for initiating and reviewing all legal documents, proposed legislation, regulations, revenue rulings, contracts, and forms for legal content. This area is the department's liaison with the state Department of Justice and assists the Attorney General's office in any litigation regarding revenue issues.

This area also monitors taxation at the federal level for impact on state tax revenue. It coordinates the exchange of tax information between the department and the Internal Revenue Service and other states' revenue departments. This area reviews tax information confidentiality laws and issues opinions to all employees concerning the confidentiality of revenue data. It also coordinates the implementation of new revenue laws and monitors the results in order to ensure the smooth functioning of new and existing administrative systems. Its duties also include responding verbally or in writing to the most difficult technical questions posed to this agency.

Legal assistance is provided to county officials in the administration of documentary stamp tax and the homestead exemption program. An up-to-date legal library is maintained within the department under the direction of Legal Services.

## **Lottery**

The Nebraska Department of Revenue launched the Nebraska Lottery - the 37th Lottery in the nation - on September 11, 1993.

Initial lottery products consisted of instant ticket games which allow players to determine instantly if

they have won a prize, and offer 1 in 5 odds of doing so. Planning began in October 1993 for the introduction of on-line games, such as the multi-state game Powerball, which began sales through Nebraska Lottery retail outlets on July 21, 1994.

Lottery personnel are organized into marketing, investigations, finance and accounting, and administrative units. This area's main offices are located in Lincoln, with Claim Centers within department field offices in Scottsbluff, Grand Island, North Platte, Norfolk, and Omaha.

The Nebraska Lottery recruits and contracts lottery retailers; develops, implements and reviews advertising and promotional campaigns; monitors lottery sales and collects net proceeds from lottery retailers; and develops necessary forms and procedures, rules, and legislation. The Lottery Division contracts for outside security, marketing, and game production services when necessary.

After prizes and expenses, lottery proceeds will be used to fund grants for special environmental projects, innovative education programs, and compulsive gamblers assistance - as specified by the Legislature.

## **Motor Fuels**

Motor Fuels administers and regulates all Nebraska motor fuel tax programs, including motor vehicle fuels (gasoline and gasohol), diesel fuel, aircraft fuel, and compressed fuel. The division also administers the Petroleum Release Remedial Action Fee program and the Ethanol Production Incentive Program.

Through our account representative structure, each licensee is assigned to an Account Representative who provides them personalized assistance in all aspects of motor fuel tax compliance. We also provide toll free WATS access for the convenience of all licensees.

This area also conducts field audits with staff assigned to Lincoln, Omaha, and Kearney.

## **Research**

Research Services prepares revenue estimates and cash flow projections for use by the State Tax

Commissioner and the Nebraska Legislature. Forecasting models have been developed by the Research section and are updated periodically. Services provided by Wharton Econometric Forecasting Associates and Data Resources, Inc. are utilized in making forecasts of national trends that affect Nebraska's economic activity. This information is used by the Nebraska Economic Forecasting Advisory Board at their meetings to set General Fund revenue estimates.

Research Services analyzes information and prepares reports regarding all tax programs administered by the department. Published reports include the Annual Report of the Nebraska Department of Revenue, the annual report of Aid to Local Governmental Subdivisions, and the Tax Expenditure Report. This area provides estimates of the fiscal impact of proposed legislation on state revenue.

Research Services also allocates the state aid payments to counties, cities and natural resource districts under the provisions of the aid to local government programs.

## **Revenue Operations**

Revenue Operations is responsible for receiving and processing the returns, monies and refunds for most tax programs administered by the Nebraska Department of Revenue. Specialized areas such as Motor Fuels, Charitable Gaming and Lottery provide the processing functions for their respective tax programs. The larger, broad-based tax programs, such as sales tax and income tax, have all tax applications, returns, reports, claims, remittances and refunds processed by Revenue Operations.

This area is organized into six functional areas. These are Initial Operations, Validation, Clearance, Imaging, Teleprocessing and Post Processing. All tax returns flow through an established processing cycle which utilizes the functions of each of these areas.

Initial Operations receives all incoming documents through the mail or other receiving areas. Mail is removed from the envelopes and sorted and batched. Returns and remittances are then validated which creates a computerized control record for these documents and initializes financial reporting functions. Checks are imaged and sent to Finance

where they are prepared for deposit and the accounting function is performed. Most mail received by the department flows through this section.

Tax returns, applications and refund claims that need review are sent to the Clearance area where they are checked and edited for those error conditions that are outside the scope of the computer processing programs. Problems are resolved through internal research or communication with taxpayers. This area processes applications for tax programs that require a license to collect and remit state taxes and also prepares certificates for those programs that do not require a license, but need an identification number to file taxes. Refund requests for non-income tax programs and the applications for homestead exemption from property tax are another function of this area. Accounts are verified to ensure that the refund or exemption claimed is correct and complies with statutes and regulations.

After review, the tax returns and documents are routed to Teleprocessing where detailed information from each return is entered into the taxpayer's computerized account. This data is merged with the preliminary information that was entered in the validation area to create a complete computerized record of each return received.

All tax returns and documents are then imaged which creates a digital image of the document or tax return. Through the use of a sophisticated computerized image retrieval systems, employees of the department are able to instantaneously retrieve an imaged tax return or a document through a PC at their individual work station. After imaging, the returns are transferred to a long-term storage site and eventually destroyed according to a specified retention schedule. Recycling of these resources are utilized wherever possible.

After data entry and imaging, the returns are sent to Post Processing where any errors are detected, corrected and resolved through highly automated processing programs that check for a myriad of possible errors or conditions that need further analysis. Electronically filed tax returns are pass through those same programs to check for errors and accuracy. Errors that are detected by these computerized

programs are corrected through PC's at individual workstations using on-line error resolution programs. These corrections may result in the issuance of notices of balance dues or changes in refunds.

## **Special Services**

Special Services provides forms and publication design services to all departmental offices. Other services provided to the department are purchasing and office supplies, security, telecommunication, transportation, forms and equipment inventory, office layout and design, and maintenance of office machines and other equipment.

## **Taxpayer Services**

Taxpayer Services provides taxpayer assistance and education, enforcement of the tax laws and tax collection services. It also informs taxpayers of their rights and responsibilities under the state's tax laws and assists them in preparing returns for all tax programs. It coordinates communication between taxpayers and the department through offices located in Lincoln, Omaha, Grand Island, Norfolk, North Platte and Scottsbluff.

Taxpayers' Assistance answers inquiries and provides instructions on preparing state tax returns, application of state tax statutes, rules, regulations, and policies. Taxpayers receive specialized attention through the availability of an automated telephone response system. The status of a current year individual income tax refund may be accessed through this system 24 hours a day, seven days a week.

The area takes corrective action when there are failures or irregularities in registration and reporting. The compliance area is responsible for obtaining the payment of delinquent taxes and securing the filing of nonfiled returns for all of the tax programs administered by the Department of Revenue, except motor fuels taxes.

Taxpayer Services enhances compliance efforts by developing and presenting tax-related educational programs. This area provides tax information and offers training to taxpayers through industry association meetings, civic organizations, tax practitioners and community colleges statewide.